GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:513
ANSWERED ON:18.11.2016
Monetary Policy Committee
Birla Shri Om

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has appointed all Members of the Monetary Policy Committee (MPC);
(b) if so, the details thereof along with their tenure in the Committee and if not, the reasons therefor;
(c) whether the MPC has tasked with deciding benchmark interest rates which the RBI Governor used to decide till now, if so, the details thereof; and
(d) whether the MPC will be able to contain inflation within the specified target level and if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b) Yes, Sir. The Monetary Policy Committee(MPC) of the Reserve Bank of India (RBI) has been constituted by the Central Government in accordance with the provisions of the Reserve Bank of India Act, 1934 (RBI Act) and has been notified in the Gazette of India, Extraordinary on 29.9.2016 as follows:-

(i) Governor of the Reserve Bank of Indiaâ€"Chairperson, ex officio;
(ii) Deputy Governor of the Reserve Bank of India, in charge of Monetary Policyâ€"Member, ex officio;
(iii) One officer of the Reserve Bank of India to be nominated by the Central Boardâ€"Member, ex officio;
(iv) Shri Chetan Ghate, Professor, Indian Statistical Institute â€"Member;
(v) Professor Pami Dua, Director, Delhi School of Economicsâ€"Member; and
(vi) Dr. Ravindra H. Dholakia, Professor, Indian Institute of Management, Ahmedabadâ€" Member.

The Members of the MPC referred to in clause (iv) to (vi) above shall hold office for a period of four years or until further orders, whichever is earlier.

(c) Yes, Sir. The MPC is entrusted with the task of fixing the benchmark policy rate (repo rate) required to contain inflation within the specified target level, which has been fixed for a period of 5 years upto March, 2021 by the Government at 4% with a range of +/- 2%. The decision of the MPC shall be binding on RBI.

(d) MPC is mandated to contain the inflation within the specified target levels. Further, if the average inflation is more than the upper tolerance level of 4% + 2%, that is, 6%, or less than the lower tolerance level of 4% − 2%, that is, 2%, for any three consecutive quarters, it would mean a failure to achieve the inflation target. Where RBI fails to meet the inflation target, in terms of the provisions of RBI Act, it shall set out a report to the Central Government stating the reasons for failure to achieve the inflation target; remedial actions proposed to be taken by RBI; and an estimate of the time-period within which the inflation target shall be achieved pursuant to timely implementation of proposed remedial actions.